

Message Text

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44

ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 EURE-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 PRS-01 SPC-03 OMB-01 DRC-01 /178 W

----- 116846

O P 291820Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 6096

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA PRIORITY

OECD PARIS

LIMITED OFFICIAL USE EC BRUSSELS 6923

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: EC/EFTA RULES OF ORIGIN

REF: STATE 233291

1. SUMMARY. WE ASKED HIJZEN OFFICIALLY WHETHER THE
COMMUNITY COULD ACCEPT A GATT WORKING PARTY ON RULES OF
ORIGIN. WE TOLD HIM THAT UNLESS IT COULD DO SO WE HAD
NO ALTERNATIVE BUT TO PURSUE THIS SUBJECT DURING THE
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WORKING PARTY ON THE NORWAY/EC AGREEMENT. HIJZEN WAS

UNABLE TO GIVE US AN IMMEDIATE, DEFINITIVE ANSWER BUT HE HELD OUT ALMOST NO HOPE THAT THE COMMUNITY COULD AGREE TO A SEPARATE GATT STUDY OF RULES OF ORIGIN ALONG THE LINES WE DESIRE. END SUMMARY.

3. ON NOVEMBER 29, PURSUANT TO THE REFTTEL, THE MISSION DISCUSSED AGAIN WITH HIJZEN THE EC COMMISSION'S DEPUTY DIRECTOR GENERAL IN EXTERNAL RELATIONS, OUR REQUEST THAT THE EC AGREE TO THE FORMATION OF A SEPARATE GATT WORKING PARTY ON RULES OF ORIGIN. WE TOLD HIJZEN THAT WE WERE ACTING FORMALLY UNDER INSTRUCTIONS. WE SAID THAT UNLESS THE EC CAN AGREE TO OUR REQUEST, THE US WOULD HAVE TO INSIST ON EXTENSIVE WORK ON RULES OF ORIGIN IN THE WORKING PARTY ON THE EC/NORWAY AGREEMENT BEGINNING ON DECEMBER 4 -- HENCE, THE URGENCY OF THE MATTER. WE EXPLAINED THAT WE HAD PUT FORWARD THE SUGGESTION FOR A SEPARATE RULES OF ORIGIN WORKING PARTY IN AN EFFORT TO FIND AN ACCEPTABLE BASIS FOR GATT CONSIDERATION OF AN ISSUE OF GREAT CONCERN TO US.

3. HIJZEN COUNSELED US NOT TO MAKE SUCH A FORMAL ISSUE OF THIS MATTER. HE SAID THAT THE EC ON ITS OWN WAS TRYING TO MAKE IMPROVEMENTS IN THE RULES OF ORIGIN AND WILL CONTINUE TO DO SO, BUT IF THE US INSISTS ON POLITICIZING THIS SUBJECT, THE MEMBER STATES WILL BE MUCH LESS LIKELY TO GO ALONG WITH CHANGES.

4. HIJZEN EXPRESSED THE VIEW THAT THERE IS NOTHING TO BE GAINED BY REHASHING PAST DISCUSSIONS BETWEEN THE US AND THE COMMISSION ON THIS MATTER. AT FIRST, SOME IN THE COMMISSION HAD BEEN INCLINED TO GO ALONG WITH A PURELY FACTUAL GATT STUDY OF THE HISTORY AND CURRENT PRACTICES ON RULES OF ORIGIN TO HELP WITH WHAT THEY UNDERSTOOD WAS AN INTERNAL US POLITICAL PROBLEM. HOWEVER, THE COMMISSION NOW BELIEVES THAT THE US HAS A DEEPER PURPOSE AND IS INTERESTED IN EVENTUALLY REINTERPRETING AND TIGHTENING THE PROVISIONS OF GATT ARTICLE XXIV AS THEY RELATE TO RULES OF ORIGIN -- THEREBY GETTING AT THE EC/EFTA RULES OF ORIGIN IN A FUNDAMENTAL WAY. THE COMMUNITY'S VIEW IS THAT ANY TIGHTENING OF GATT PROVISIONS LIMITED OFFICIAL USE

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SHOULD BE CONSIDERED IN THE MULTILATERAL TRADE NEGOTIATIONS; THAT THE EC/EFTA RULES OF ORIGIN ARE NOT CONTRARY TO GATT; AND THAT CHANGES IN THEM WILL HAVE TO OCCUR ON A PRACTICAL, PRAGMATIC BASIS.

5. HIJZEN CONTINUED THAT THE COMMISSION IS NOW MOST DOUBTFUL ABOUT ANY SORT OF WORKING PARTY ON RULES OF ORIGIN. THE MAXIMUM CONCEIVABLE WOULD PROBABLY BE AN

AGREEMENT TO ALLOW THE GATT SECRETARIAT TO COMPILE A "NEUTRAL" LEAF-LIST OF RULES OF ORIGIN HAVE BEEN ADMINISTERED BY GATT CONTRACTING PARTIES. HOWEVER, HE COULD GIVE NO ASSURANCE THAT THE COMMUNITY WOULD AGREE EVEN TO THAT. IF THE US CONSIDERED THAT IT SHOULD PRESS ITS VIEWS IN CONNECTION WITH THE EC/NORWAY AGREEMENT THE US HAD A RIGHT TO DO SO, BUT THIS WOULD PROBABLY NOT PROVE PROFITABLE IN TERMS OF GETTING CHANGES IN THE RULES OF ORIGIN.

6. WE REPLIED THAT WE OBVIOUSLY SAW THE LEGAL AND SUBSTANTIVE ISSUES IN A DIFFERENT LIGHT THAN HIJZEN, BUT THAT OUR PUROPSE WAS NOT TO DEBATE THOSE ON THE SPOT. RATHER, WE WERE TRYING TO FIND SOME MUTUALLY-SATISFACTORY WAY AROUND THE IMPASSE THAT HAD DEVELOPED OVER THE GATT HANDLING OF THE RULES OF ORIGIN ISSUE AND TO MAKE OUR VIEWS ABSOLUTELY CLEAR TO THE COMMISSION. WE SAID THAT, IF THE COMMISSION HAD ANY FURTHER THOUGHTS, WE WOULD BE PROPPARED TO PUT THEM BACK TO WASHINGTON IF WE COULD HAVE THEM QUICKLY.

7. HIJZEN CONCLUDED THE DISCUSSION BY SAYING THAT (A) HE DID NOT WANT TO MISLEAD US BY HOLDING OUT HOPE THAT THE COMMUNITY WOULD ACCEPT A GATT WORKING PARTY ON RULES OF ORIGIN; BUT (B) SINCE THIS HAS BECOME A POLITICAL ISSUE IN US-EC RELATIONS, HE WOULD HAVE TO SEEK GUIDANCE FROM HIS SUPERIORS AS TO JUST WHAT POSITION THE COMMUNITY SHOULD TAKE IN GATT ON THIS SUBJECT. IF HE HAD ANYTHING FURTHER TO GIVE US BILATERALLY BEFORE DECEMBER 4, HE WOULD DO SO BUT HE DID NOT KNOW WHETHER THIS WOULD BE POSSIBLE.

8. COMMENT: WE WILL REPORT IMMEDIATELY SHOULD THERE LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, TRADE CONTROLS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU06923
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973116/aaaaadzi.tel
Line Count: 148
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 233291
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by rowellE0>; APPROVED <06-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC/EFTA RULES OF ORIGIN
TAGS: ETRD, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005